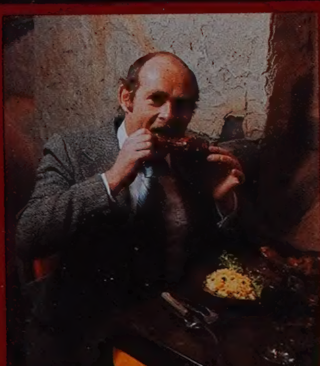
Controlled Foods International Ltd.

Annual Report 1978



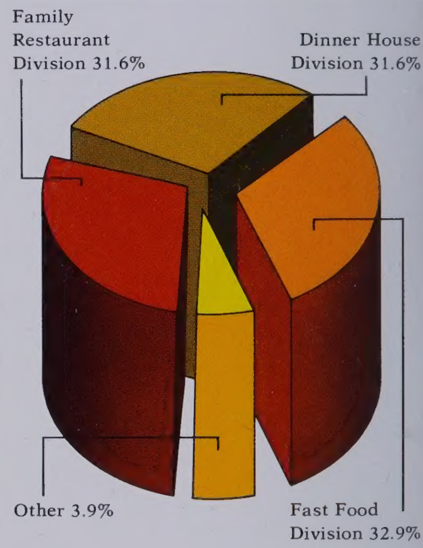
Financial Highlights

	1978	1977
	(000's eliminated)	
Revenues	**$54,039**	$46,796
Income before extraordinary item	**1,751**	1,140
Net income for year	**1,751**	1,404
Funds from operations	**2,910**	2,584
Total assets	**$24,559**	24,993
Shareholders' equity	**7,789**	8,271

	1978	1977
Per share:		
Income before extraordinary item	**$ .93**	$ .60
Net income for year	**.93**	.75
Funds from operations	**1.54**	1.37
Shareholders' equity	**4.08**	4.39

Number of restaurants at year-end		
A&W's	**40**	45
Fuller's	**23**	23
Corkscrew's	**11**	11
Other	**15**	15
TOTAL	**89**	94

SALES BY DIVISION — 1978



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Chairman's Report

The Directors of Controlled Foods International are again proud to report to our shareholders another year of substantial improvement in the performance of the Company.

President Peter Main, in his first full year in the position, guided your Company to new records in sales, profits, and earnings per share, while simultaneously undertaking considerable reorganization and consolidation of activities.

Sales in 1978 were $53.7 million, up some 15% from 1977's $46.5 million. Profits were, in fact, nearly as great by the third quarter as they were for all of 1977. Pre-tax profits in 1978 reached $3.1 million, compared with $1.8 million in 1977. Earnings per share stood at an all-time high of $0.93.

Your Company paid tax-deferred dividends totalling $1.15 per share, taking advantage of certain provisions in the tax laws that expired on December 31, 1978. An extraordinary dividend of $0.90 was paid September 1, 1978 and an annual dividend of $0.25 was paid December 20, 1978.

The number of Directors was increased by one this year, as Mr. J. C. McConnell joined our Board. Mr. McConnell is also a Director of NuWest Development Corporation Limited and other western Canadian companies, and his presence I am certain will be a valuable asset to your Company.

With your Company's future plans and strategies clearly defined, coupled with organizational strengthening and new developments now under way, we look forward with confidence to even greater success in 1979 and years beyond.

On behalf of the Board,
April 30, 1979.

President's Report

In making this report, I would first like to convey my congratulations to every member of the Controlled Foods International organization for his or her solid support and performance over the past year. In the face of some considerable changes of style, direction, and management, everyone pulled together to make 1978 a record year in all aspects of the operation.

The installation of a new chief operating officer in any organization is often the signal for a reassessment of every aspect of operations, from basic objectives to operational details. In this respect, my arrival at CFI was no exception.

The Objective, the Strategy, and the Tactics

At the senior management level, we began by asking ourselves the most basic question: what did we want the Company to be? Our answer became the core part of every subsequent policy decision: we want to become "The Best Restaurant Company in Canada".

"Best," of course, is only achieved when it has been perceived by customers, employees and shareholders. Our policies and strategies were thus designed to foster that perception in each of these disparate groups.

To achieve this objective, we adopted a strategy of "doing fewer things better." Our resultant number one mission became the ownership and operation of profitable restaurants. Our tactics then became, first, to bring all operations into the natural groupings of Fast Food, Family Restaurants and Dinnerhouses; second, to support these operating groups with an expanded level of qualified resources; and third, to re-evaluate all operations for their potential fit with current and future Company plans.

The Result

Our Fast Food Division began a re-evaluation of all its units, closed five, and initiated an up-grading for many of the others. This division continues to show real growth in some areas, contributing significantly to the financial support of Company development activities.

Our Family Restaurant Division embarked upon the testing of a whole new concept of food service. A prototype unit in Calgary was converted from the original Fuller's decor to a country kitchen theme, featuring a breakfast, lunch and supper menu of high quality and unique variety, plus full bar service. Results have been extremely promising, and the conversion of other Fuller's restaurants in this market area is now under way.

The Dinner House Division likewise took advantage of 1978 to re-examine all elements of its program. The results included new menu developments, improved operating standards, new marketing approaches, and a modified building design. An aggressive resumption of this Division's expansion has begun, with two units presently under construction, and five more under negotiation.

At the head office in Vancouver, we introduced several new functions which will serve to make operations management more efficient and closely attuned to their markets and their customers. Under Corporate Services we centralized purchasing, installed a fully equipped test kitchen for quality control and menu development, initiated human resources function, and concentrated the engineering and design responsibilities. We also added a highly qualified Marketing Director and appointed a new advertising agency. We also further strengthened our financial management capabilities.

In summary, 1978 has been one of the most exciting years in the history of the Company, and certainly the beginning of great things to come for Controlled Foods International.

Peter T. Main
President


Ye Olde Pizza Joint
TONY'S FINE TAILORING
16th AVE. FOOD MART
SOUP OF THE DAY
FRANK'S
HAMBURGERS
SA-GI'S Delicatessen

The Market in which we operate

The Canadian family today is a different breed from the one we associate with tradition. It has more freedom, more leisure time, more money in its collective pocket. It may have a single parent, or two working parents. And it has television to remind it continually about other goods and services it never had before.

Every facet of today's lifestyle — the freedom, the liberation, the affluence, and the pace — takes more and more people out of the kitchen and into the restaurant. Eating out is no longer a treat reserved for special days. It has become a regular part of daily living. The result has been the unfolding of an enormous market which shows no signs of diminishing. Quite the contrary, the growth of the Food Service Industry continues to be one of the phenomena of the age.

Your Company has performed a careful examination of this market and its constituent parts to determine the trends, the projections, and the best response to the projections.

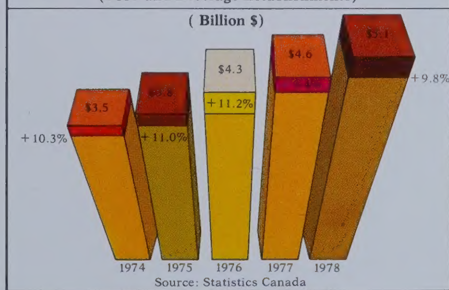
There is, it appears, a great deal of promise and profit left in the fast food segment of the industry, in spite of the explosive expansion of the chains in this area. The market for prepared meals in the $2-$3 range appears nearly limitless. At CFI, our Fast Food Division is positioned squarely in the middle of this market, with entries in both the drive-in and sit-in eating segments.

In some cases, up-grading in the market is accompanied by a new awareness of food value. People willing to spend $2-$6 per meal are now looking twice at the nutritive value of their food, as well as the quality of preparation, service and environment. CFI's Family Restaurant Division has initiated a program which promises to make it a dominant factor in this market segment as the program progresses.

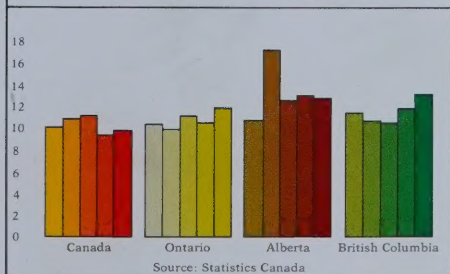
The desire for quality food increases with the "night out" category of diner, who not only seeks an entertaining experience, but insists on it. Here environment may be the critical difference. If the food is of high quality and interesting variety, the decor options in which to serve it are limitless. Our Dinner House Division is preparing its options to increase its penetration of this highly profitable market segment.

The total market presents many opportunities for growth. Your Company has chosen to focus its human and financial resources on these three segments, and expects to take full advantage of these opportunities in the years ahead.

ESTIMATED ANNUAL CANADIAN RESTAURANT RECEIPTS
(Food and Beverage Establishments)



5 YEAR GROWTH RATES IN ESTIMATED RESTAURANT RECEIPTS




Teenburger
A&W
A&W
A&W

The Fast Food Division

The Fast Food Division comprises 40 A&W restaurants plus Buffalo Bill Steak Villages and assorted shopping centre concepts, for a total of 54 stores.

1978 was, first and foremost, a good year for this division, with sales and profits at an all-time high, up 7% and 1% respectively to $17.8 million and $1.6 million.

This performance was achieved in spite of the well publicized record cost increases for hamburger and produce. Further, it was achieved with five fewer A&W units at year-end versus 1977.

Customer counts at A&W drive-ins were up 1.2% at comparable units over a year ago. Some 4.8 million automobiles drove into CFI-operated A&W's in 1978 with an average of 2.6 people in each. Approximately 80% of our customers came to us more than once a month, 60% more than twice a month. These 40 outlets served consumers equal to over half the population of Canada in the last 12 months, all of which suggests that the drive-in phenomenon has by no means come to the end of its growth potential.

Aggressive advertising for the year may have had much to do with this success. Your Company has expanded a very successful on-going promotion called Teenburger Thursday, and the A&W Root Bear commercials have had a definite positive effect on customer awareness, trial and acceptance of the brand.

One of the most significant strengths of the division is our people, many of whom have been with us for several years. The average for area managers is approaching 10 years service; one has been with us for 16 years. Similar loyalty works for us at the unit level, with one unit manager having 21 years experience with A&W.

Plans for 1979 call for the Fast Food Division to continue as a key volume and profit contributor with further developments of our shopping centre concepts, while closely monitoring the continuing developmental activities of the A&W franchisor.

The Family Restaurant Division

Last year was a record year for this division, which is composed of 23 Fuller's restaurants, grouped for the most part in markets from central Canada to the West Coast. Profits rose 230% to $1.9 million in 1978, on sales of $16.6 million.

The increases can be attributed to several factors: a new menu introduced at the beginning of the year, with greater food value and more descriptive design; a stable management with the lowest turnover in our history; a totally new training package designed in the early months of 1978 and implemented over the remainder of the year; and the addition of liquor in most restaurants, adding a new dimension to meal service.

The most important development of 1978, however, was the decision to test a major change to the entire concept around which Fuller's restaurants will operate in the future. The new concept under test essentially converts our facilities from coffee shops to breakfast-lunch-supper restaurants positioned in the market between the fast food outlets and the more expensive specialty dinner house group.

Design, menu, decor, staff orientation — everything about the new Fuller's restaurants will be new. They will have a dramatically improved design and decor reminiscent of a country kitchen. The menu will complement the design, with 50-55 items emphasizing nourishing, well-prepared home-style meals, many based on unique recipes.

The new concept will be under test at our MacLeod Trail unit in Calgary from November, 1978 to April, 1979. The test has been accompanied by an intensive research program to determine the habits, character, and preferences of 2000 customers before renovation and after. The test is being supervised closely in order to lay the groundwork for the expansion to other units.

Our early results from the MacLeod Trail unit conversion are most encouraging. We have raised the check average by more than a dollar, with positive trends on the traffic counts. Our research indicates a significant switch from coffee shop customers to dinner-for-the-family clientele.

The remaining Calgary units will be converted to this new Fuller's concept in early 1979, at which time we will commence advertising and promotional support in this market. In August we will open our first new free-standing version of this concept in Parkway Plaza in Stoney Creek, Ontario.

In short, the new Fuller's concept appears to have immense potential for considerable expansion over the years ahead.

The Dinner House Division

The Dinner House Division consists of 11 Corkscrew Restaurants positioned in the highly successful medium-priced, fully-licenced, informal dining segment of the industry offering a menu built on steaks, prime ribs, seafoods and a salad bar.

We interrupted the expansion of this chain in 1978, along with all other Company expansion, while we reassessed the entire operation according to the new terms of reference. The performance of the division, however, continued unabated, with sales and profits up 25% and 39% respectively, to all-time highs of $17.1 million and $1.7 million.

Corkscrew design continues to evolve in response to perceived customer preferences. The designs created in 1978 differ considerably from the original Corkscrew in Mississauga in 1973. The medieval castle character has been retained, but the new Corkscrews are airier, with higher ceilings, skylights, and club-like lounges.

It is important to note the extent of the testing that goes into a typical Corkscrew Restaurant on a continuing basis. We test menu items, marketing approaches, lounge decor, and the design of every facet of the operation, from the aesthetic point of view and the cost-effectiveness perspective.

The new club lounge in Stoney Creek is a case in point. We installed

wing-back chairs and tiffany lamps, made the decor warm and inviting, and added entertainment in the form of low-decibel musical groups. While the concept is still in the process of proving itself, it shows enough potential that we are adding entertainment to another two lounges in the coming year.

Other tested developments to be implemented throughout the chain in 1979 include buffet lunches, Sunday brunches, new dinner menu items, and new advertising and promotional concepts.

As mentioned previously, new unit expansion is being aggressively pursued with two new Corkscrew restaurants currently under construction and more to follow.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CONTROLLED FOODS INTERNATIONAL LTD
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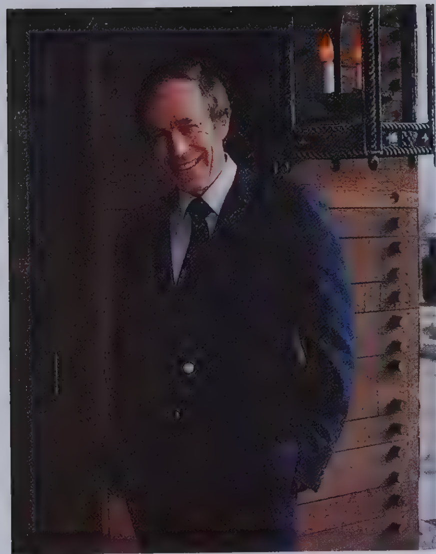
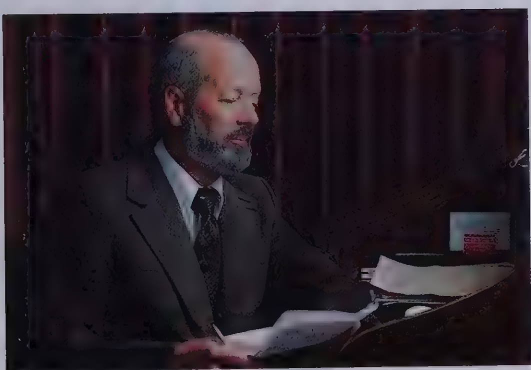
Company Directors

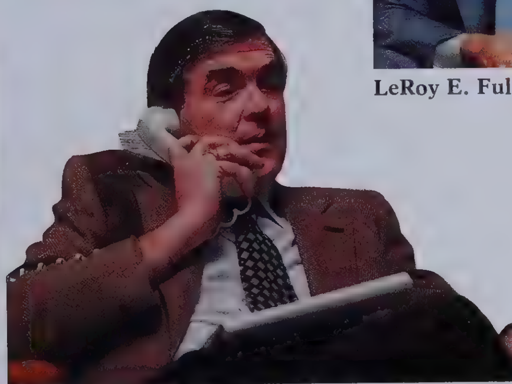


Kenneth A. Fowler

LeRoy E. Fuller

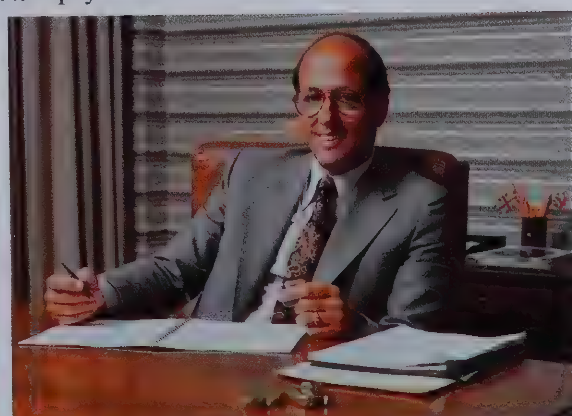


Chesley J. McConnell



Joseph C. Murphy

Robert R. Roe



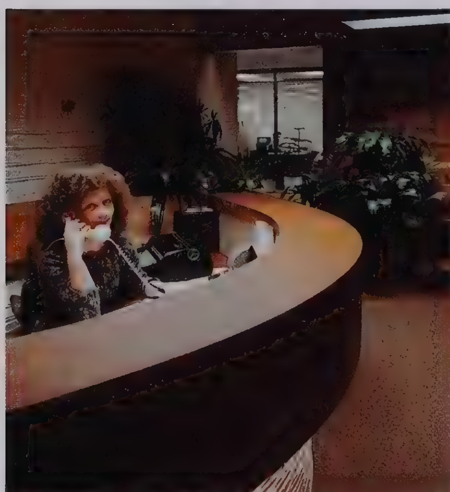
Peter T. Main

Corporate Services
Finance
Marketing

From your Company's management perspective, perhaps the most important development of 1978 was the implementation of the concept of staff resources to deal with a variety of functions previously dispersed throughout the organization, principally at the area and unit manager level.

We now have one of the most substantial, well equipped test facilities of its kind in the country. This facility, under the direction of the *Executive Chef*, provides the ideal setting for the development of new recipes, the pursuance of quality assurance testing to very tight standards, and the training of new kitchen staff.

An expanded investment in *Human Resources* was also undertaken by your Company. This included both, staffing a new Head Office function and field located unit training personnel. These programmes are designed to improve our abilities to better attract, develop and retain the people we need to achieve our "Best Restaurant Company" objective.



We also centralized *Purchasing* as a head office operation and realized significant savings. We are now buying some 65% of our $19 million annual food and liquor purchases centrally, as well as a substantial portion of our equipment and furnishings requirements.

Design has always been a head office function, but *Engineering* has now been added, and both have been expanded. Engineering includes not only construction but repair and maintenance as well. With the increasing cost of energy, repair and maintenance becomes extremely important. Here again, meaningful economies can be realized by centralized planning and execution.

The Company's *Financial Management* function was also further strengthened in 1978. This included the addition of an expanded data processing capacity, the introduction of new forecasting models plus an extensive re-examination of Management Information Systems. A resultant key program under continuing development is the further testing and upgrading of unit electronic point-of-sale equipment, capable of providing even more timely operating results and trends.

Another pivotal Head Office function is *Marketing*. Your Company has engaged the services of an experienced Director of Marketing to analyze, prepare, and execute the Company's plans to establish its positions in the most promising segments of the food service industry. We have also retained the services of an advertising agency, West-Can Communications Ltd. We are now engaging in research in all divisions to determine more accurately the nature of brand loyalties, and key leverage points that cement the relationship even more strongly. Research is also being utilized to identify more accurately new developmental opportunities for your Company.

Controlled Foods International Ltd.

The Financial Review 1978

Controlled Foods International Ltd.

Consolidated Balance Sheet

December 31, 1978 and 1977

Assets

	1978	1977
CURRENT:		
Cash and term deposits	**$ 2,253,446**	$ 1,460,998
Notes and accounts receivable (note 2)	**674,067**	785,822
Inventory	**1,481,719**	1,195,376
Prepaid expenses and deposits	**53,920**	50,530
Total current assets	**4,463,152**	3,492,726
NOTES AND ACCOUNTS RECEIVABLE (note 2)	**266,289**	565,966
INVESTMENTS IN JOINT VENTURES (note 3)	**296,999**	301,933
FIXED (note 4)	**19,319,030**	20,326,207
FRANCHISES AND OTHER	**213,577**	305,848
	$24,559,047	$24,992,680

On behalf of the Board:

[signature] Director

[signature] Director

(See accompanying notes)

Liabilities and Shareholders' Equity

	1978	1977
CURRENT:		
Bank indebtedness	$ 126,241	—
Accounts payable and accrued charges	3,248,482	$ 3,191,298
Income and other taxes payable	1,116,237	140,669
Current portion of long term debt (note 5)	1,241,733	1,226,022
Total current liabilities	5,732,693	4,557,989
LONG TERM DEBT (note 5)	10,062,512	11,103,963
DEFERRED INCOME TAXES	975,031	1,060,033
SHAREHOLDERS' EQUITY:		
Share capital (note 6) — Authorized: 4,000,000 shares without par value		
Issued: 2,746,500 shares (1977 — 2,717,500 shares)	3,664,634	3,522,134
Retained earnings (statement 2)	6,052,298	6,676,682
	9,716,932	10,198,816
Less 835,600 shares acquired and held by the company at cost	1,928,121	1,928,121
	7,788,811	8,270,695
	$24,559,047	$24,992,680

Controlled Foods International Ltd.

Statement 2

Consolidated Statement of Income and Retained Earnings

Years ended December 31, 1978 and 1977

	1978	1977
REVENUES:		
Sales	**$53,655,445**	$46,495,217
Other	**383,938**	300,551
	54,039,383	46,795,768
EXPENSES:		
Cost of sales	**19,655,013**	17,047,553
Depreciation and amortization	**1,389,362**	1,257,799
Selling, operating, general and administrative expenses	**28,561,966**	25,391,986
Interest —		
Long term debt	**1,258,141**	1,223,192
Other	**52,931**	91,037
	50,917,413	45,011,567
Income before income taxes and extraordinary item	**3,121,970**	1,784,201
Income taxes:		
Current	**1,456,080**	366,598
Deferred (recovery)	**(85,002)**	277,447
	1,371,078	644,045
Income before extraordinary item	**1,750,892**	1,140,156
Extraordinary item	**—**	263,946
NET INCOME FOR YEAR	**1,750,892**	1,404,102
Retained earnings, beginning of year	**6,676,682**	5,517,227
	8,427,574	6,921,329
Dividends (per share — 1978 — $1.15; 1977 — 13¢) (note 8)	**2,172,335**	244,647
Tax on 1971 undistributed income on hand (note 8)	**202,941**	—
	2,375,276	244,647
RETAINED EARNINGS, END OF YEAR	**$ 6,052,298**	$ 6,676,682
Net earnings per share (note 9):		
Before extraordinary item	**$.93**	$.60
After extraordinary item	**$.93**	$.75

(See accompanying notes)

Statement 3

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1978 and 1977

	1978	1977
SOURCE OF FUNDS:		
Operations —		
Income for year before extraordinary item	$1,750,892	$ 1,140,156
Charges (credits) not representing an outlay (receipt) of funds:		
Depreciation and amortization	1,389,362	1,257,799
Deferred income taxes	(85,002)	277,447
Gains on disposal of fixed assets	(165,502)	(123,081)
Share of losses in joint ventures	20,000	31,510
Total funds from operations	2,909,750	2,583,831
Extraordinary item	—	263,946
Common shares issued	142,500	—
Proceeds on disposal of fixed assets	1,066,922	2,549,702
Decrease in other assets	533,113	114,512
Long term debt financing	450,000	5,419,033
	5,102,285	10,931,024
APPLICATION OF FUNDS:		
Fixed assets acquired	1,216,770	7,353,070
Dividends	2,172,335	244,647
Increase in other assets	208,000	268,812
Investments in joint ventures	15,066	35,509
Reduction in long term debt	1,491,451	1,399,186
Tax on 1971 undistributed income on hand	202,941	—
	5,306,563	9,301,224
Increase (decrease) in working capital deficiency	204,278	(1,629,800)
Working capital deficiency, beginning of year	1,065,263	2,695,063
Working capital deficiency, end of year	$1,269,541	$1,065,263

(See accompanying notes)

Controlled Foods International Ltd.

Notes to Consolidated Financial Statements

December 31, 1978

1. Accounting policies —

The following is a summary of significant accounting policies used in the preparation of these financial statements.

(a) Principles of consolidation:
The consolidated financial statements include the accounts of the company and all subsidiary companies. Investments in joint ventures are accounted for on the equity basis.

(b) Inventory:
Inventories of food and packaging are valued at the lower of cost and net realizable value.

(c) Depreciation and amortization:
Depreciation is computed on the straight-line basis over the estimated useful life of the assets at rates varying from 5% to 20%. Leasehold improvements are amortized over the life of the applicable lease.

Amortization of other assets:
Franchises are amortized on a straight-line basis over the terms of the contractual agreements.

(d) Income taxes:
In accounting for income taxes the companies follow the tax allocation method in which the major timing difference relates to the depreciation of fixed assets.

Taxes on income for 1978 have been reduced by $17,000 (1977 — $16,000) by claiming the 3% inventory allowance and by $22,000 (1977 — $157,000) by claiming the investment tax credit as permitted under the Income Tax Act, Canada.

2. Notes and accounts receivable —

Included in current and long-term notes and accounts receivable are amounts due from shareholders, officers, directors, and a company controlled by a director, of $409,771 (1977 — $390,500). Of this total, $158,550 was advanced during the year to assist officers, who are also directors, to purchase homes on which the company holds mortgages as collateral and $16,596 was advanced to the company controlled by a director. The balance of $234,625 advanced in prior years consists of $98,750 for the purchase of shares of the company and $135,875 advanced to the company controlled by a director. The advances to the company controlled by a director were repaid subsequent to the year end.

3. Investments in joint ventures —

Investments in joint ventures comprise:

	Investment	Accumulated net losses	Balance December 31, 1978
Battlefield Holdings	$ 92,825	$ 51,300	$ 41,525
Parkway Plaza	213,570	561	213,009
T.P.S. Holdings	47,300	4,835	42,465
	$353,695	$ 56,696	$296,999

4. Fixed assets —

Fixed assets are carried at cost which includes the excess of the cost of investments in subsidiaries over their underlying net book values at date of acquisition and comprise:

	Cost	Accumulated depreciation and amortization	1978 Net value	1977 Net value
Buildings	$ 7,249,810	$ 1,823,623	$ 5,426,187	$ 5,453,870
Equipment, signs, fences and paving	7,066,648	3,643,134	3,423,514	4,070,714
Leasehold improvements	7,573,973	1,322,619	6,251,354	6,325,729
	21,890,431	6,789,376	15,101,055	15,850,313
Land	4,217,975	—	4,217,975	4,475,894
	$26,108,406	$ 6,789,376	$19,319,030	$20,326,207

5. Long-term debt —

Long-term debt consists of:

	1978	1977
Bank loan — with interest at 1-3/4% over the bank's prime rate, repayable in monthly instalments of varying amounts with the balance due August 31, 1980 . . .	$ 1,975,992	$ 2,431,992
Bank loan — with interest at 1-3/4% over the bank's prime rate, repayable in monthly instalments of varying amounts with the balance due June 1, 1983	2,519,171	2,849,064
Mortgages and agreements — with interest rates from 7% to 13% and maturing at various dates to March 2006, with land and buildings pledged as collateral . .	6,370,274	6,548,102
Land purchase commitment — due March, 1993	250,000	250,000
Notes payable — due at various dates to March 1982, with certain equipment pledged as collateral	188,808	250,827
	11,304,245	12,329,985
Less amounts due within one year.	1,241,733	1,226,022
	$10,062,512	$11,103,963

Principal amounts repayable over the next five years are as follows:

1979 — $1,241,733
1980 — $2,960,000
1981 — $2,800,000
1982 — $2,280,000
1983 — $1,590,000

The company has assigned as collateral for its bank indebtedness a registered demand debenture in the amount of $15,000,000 providing fixed and floating charges against the assets of the company and its subsidiaries.

6. Share capital —

During the year the company issued 29,000 common shares for a total cash consideration of $142,500. Of this amount, 1,000 shares at $2.50 per share were issued pursuant to the employees' stock option plan.

7. Statutory information —

Remuneration of directors and senior officers (as defined by The British Columbia Companies Act) amounted to $496,889 (1977 — $502,103).

8. Dividends —

During the year the company elected under Section 196(1) of the Income Tax Act to be assessed and pay tax at 15% on $1,352,940 of its 1971 undistributed income on hand. The company subsequently elected under Section 83(1) of the Income Tax Act to pay dividends totalling $2,172,335 from the company's Tax Paid Undistributed Surplus and Capital Surplus on Hand.

9. Per share calculation —

Earnings per share have been calculated using the monthly weighted average number of shares outstanding during the year.

10. Commitments —

A — Certain subsidiary companies have entered into leases of equipment and real property for varying terms up to a maximum of twenty-three years with rentals varying in some instances with gross revenues, taxes, insurance and other occupancy charges. Minimum rentals for the succeeding five years are as follows:

1979 — $2,960,000 1981 — $2,880,000 1983 — $2,510,000
1980 — $2,910,000 1982 — $2,750,000

B — At December 31, 1978, certain subsidiary companies have commitments for construction projects and renovations totalling $2,400,000.

11. Contingent liability —

The company is contingently liable in the amount of $1,646,485 as a guarantor of a mortgage and the bank loans of the joint ventures referred to in note 3 and in the amount of $146,268 in respect of their letters of credit and other obligations.

12. Anti-Inflation program —

Under the federal government's Anti-Inflation Act which was in force until December 31, 1978, the company was subject to mandatory compliance with legislation that controlled prices, profit margins, shareholder dividends and employee compensation. Management is of the opinion that the company was in compliance with the requirements of the Anti-Inflation legislation.

Auditors' Report

To the Shareholders of Controlled Foods International Ltd.:

We have examined the consolidated balance sheet of Controlled Foods International Ltd. as at December 31, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
March 9, 1979.

Clarkson Gordon & Co.
Chartered Accountants

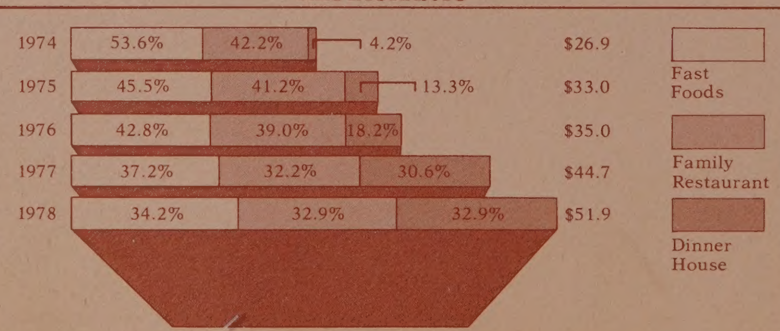
Controlled Foods International Ltd.

Five Year Statistical Review

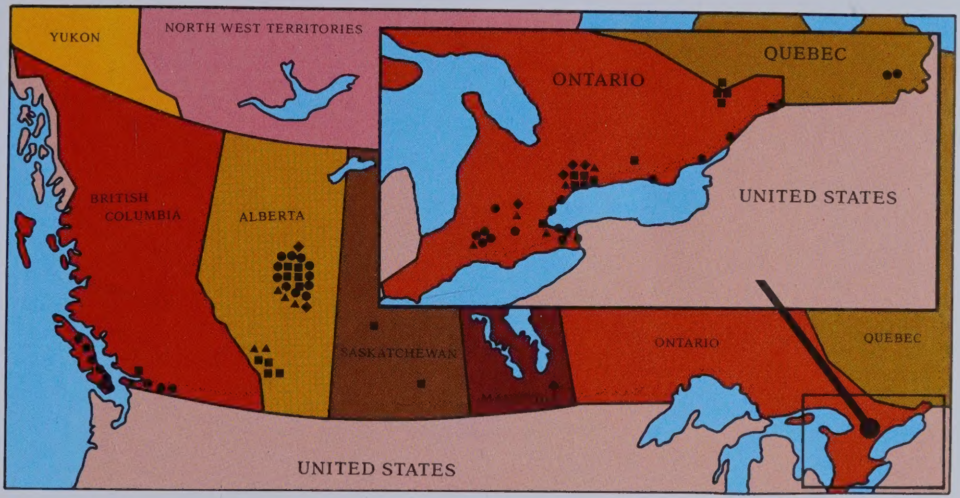
(000's eliminated)

	1978	1977	1976	1975	1974
Sales	**$53,655**	$46,495	$35,284	$33,054	$26,906
Other Income	**384**	301	163	81	179
	54,039	46,796	35,447	33,135	27,085
Cost of Sales	**19,655**	17,048	12,389	11,497	9,168
Operating Expenses	**28,562**	25,424	19,345	18,246	14,963
	48,217	42,472	31,734	29,743	24,131
Operating Profit	**5,822**	4,324	3,713	3,392	2,954
Depreciation and amortization	**1,389**	1,226	910	829	696
Interest	**1,311**	1,314	876	705	762
	2,700	2,540	1,786	1,534	1,458
Income before income taxes	**3,122**	1,784	1,927	1,858	1,496
Income taxes	**1,371**	644	702	836	763
Income before extraordinary item	**1,751**	1,140	1,225	1,022	733
Extraordinary item	**—**	264	—	—	52
Net income for year	**$ 1,751**	$ 1,404	$ 1,225	$ 1,022	$ 785
Average number of shares outstanding	**1,887**	1,882	1,864	2,004	2,516
Earnings per share before extraordinary item	**$ .93**	$ .60	$ .66	$ .51	$ .29
Earnings per share	**$ .93**	$ .75	$ .66	$ .51	$ .31

ANNUAL GROSS SALES (Millions of Dollars)
RESTAURANTS



Restaurant Locations



● A&W's
■ FULLER'S
▲ CORKSCREW
◆ OTHER

A&W DRIVE-INS

Alberta:
Edmonton — 11

British Columbia:
Abbotsford — 1
Campbell River — 1
Chilliwack — 1
Courtenay — 1
Duncan — 1
Haney — 1
Nanaimo — 1
Victoria — 3

Ontario:
Brockville — 1
Cornwall — 2
Kingston — 1
London — 4
Niagara Falls — 1
Oakville — 1
Port Credit — 1
St. Catherines — 2
Stratford — 1
Trenton — 1
Welland — 1
Woodstock — 1

Quebec:
Sherbrooke — 2

CORKSCREW RESTAURANTS

Alberta:
Edmonton — 3
Calgary — 2

Ontario:
Hamilton — 1
London — 1
Kitchener — 1
Toronto — 2

British Columbia:
Richmond — 1

FULLER'S RESTAURANTS

Alberta:
Calgary — 4
Edmonton — 5

British Columbia:
Vancouver — 1

Ontario:
Hamilton — 1
Ottawa — 3
Toronto — 5
Peterborough — 1

Quebec:
Hull — 1

Saskatchewan:
Regina — 1
Saskatoon — 1

MISSISSAUGA'S SQUARE ONE SHOPPING CENTRE
(Serviced by 10 fast food bars) in addition to Fuller's, Corkscrew, and Buffalo Bill's.

OTHER RESTAURANTS

Buffalo Bills:
Edmonton — 1
Mississauga — 1

Jerry's Malt Shop:
Kitchener — 1

Hickory House:
Winnipeg — 1

Leroy's:
Edmonton — 1

Corporate Information

DIRECTORS:
Kenneth A. Fowler
LeRoy E. Fuller
Peter T. Main
Chesley J. McConnell
Joseph C. Murphy
Robert R. Roe

OFFICERS:
Chairman of the Board and Chief Executive Officer,
LeRoy E. Fuller

President and Chief Operating Officer,
Peter T. Main

Vice President — Finance and Secretary-Treasurer,
Robert R. Roe

Vice President — Corporate Services,
D. Glen Neil

Vice President — Family Restaurant Division,
Stanley E. Fuller

Vice President — Fast Food Division
Stephn A. MacIntyre

Vice President — Dinner House Division,
Michael J. Fuller

Vice President — Regional,
Richard J. Scully

AUDIT COMMITTEE:
Kenneth A. Fowler
Chesley J. McConnell
Joseph C. Murphy

HEAD OFFICE:
Suite 226-4664 Lougheed Highway,
Burnaby, B.C., Canada V5C 4A4

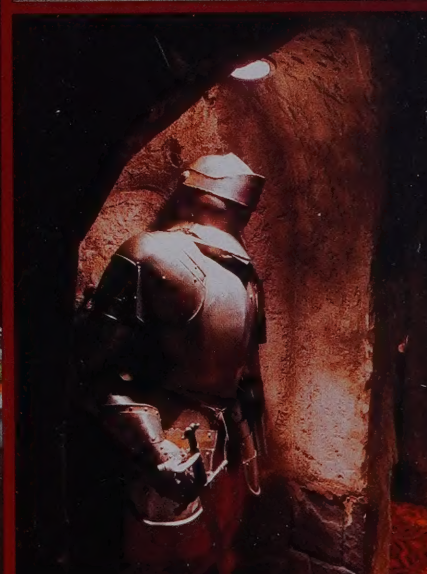
SOLICITORS:
Davis & Company

TRANSFER AGENT:
Canada Permanent Trust Company

AUDITORS:
Clarkson, Gordon & Co.

BANKERS:
The Mercantile Bank of Canada

STOCK LISTING:
The Toronto Stock Exchange
Symbol: CFS



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